

# HOUSE BILL REPORT

## HB 2724

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**As Reported by House Committee On:**  
Finance

**Title:** An act relating to a tax exemption for persons under contract for services for developmentally disabled persons.

**Brief Description:** Providing a tax exemption for certain services for developmentally disabled persons.

**Sponsors:** Representatives Kagi, Cairnes, Orcutt, Santos, McDonald, O'Brien, Hankins, Conway, Roach, McIntire, Lovick, Campbell, Simpson, G., Talcott, Clibborn and Morrell.

**Brief History:**

**Committee Activity:**

Finance: 2/5/04 [DP].

**Brief Summary of Bill**

- Exempts from the business and occupation tax payments from the Department of Social and Health Services for providing non-facility based residential services to persons with developmental disabilities.

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### HOUSE COMMITTEE ON FINANCE

**Majority Report:** Do pass. Signed by 9 members: Representatives McIntire, Chair; Hunter, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

**Staff:** Rick Peterson (786-7150).

**Background:**

Some people with developmental disabilities rely on residential services for assistance in participating as a community member, managing daily activities, maintaining personal appearance, managing money, making purchases, creating opportunities to make friends, maintaining personal relationships, pursuing personal interests and locating, furnishing and keeping up their homes. Some people live in homes owned by the program from which they receive support.

The business and occupation (B&O) tax is Washington's major business tax. The tax is imposed on the gross receipts of business activities conducted within the state. Revenues are deposited to the state General Fund. A business may have more than one B&O tax rate,

depending on the types of activities conducted. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity.

There are many exemptions for specific types of business activities and certain deductions and credits permitted under the B&O tax statutes. One such exemption is for licensed adult family homes, which may serve clients with developmental disabilities. In addition, a deduction is provided for payments received by nonprofit or governmental organizations that support health or social welfare programs, which may include developmental disability-related services.

Businesses that provide non-facility based residential services for profit under contract with the Department of Social and Health Services Division of Developmental Disabilities to persons with development disabilities pay B&O taxes at a rate of 1.5 percent. The phrase "non-facility based residential services" refers to programs in which services are provided to a person in his or her own home.

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**Summary of Bill:**

A business is exempt from paying B&O taxes on any amounts received from the Department of Social and Health Services for providing non-facility based residential services to persons with developmental disabilities.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** Adult family homes and nonprofit firms are exempt. The for profit firms provide the same services but we have an unequal system for these providers. They are struggling with increasing costs but their reimbursement rates are not increasing. There is a high level of accountability to DSHS on the costs to provide these services. Every penny goes to spending on staff. It makes no sense to differentiate between adult family homes, which are exempt, and these services. People for Fair Taxes has opposed nearly all tax exemptions but support this one. The last time People for Fair Taxes supported an exemption was the exemption for most grocery items. We cannot continue to close residential services for this population without support for these community based services.

**Testimony Against:** None.

**Persons Testifying:** (In support) Representative Kagi, prime sponsor; Sylvia Fuerstenberg, SL Start and Associates; and Dave Wood, People for Fair Taxes.

**Persons Signed In To Testify But Not Testifying: None.**